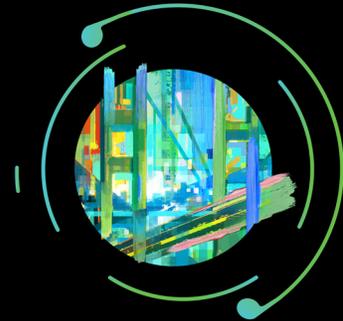


M&A Views



Deloitte M&A Views podcast:

Transforming While Transacting: Transformation enablers of success

Raed Masoud: Welcome to Deloitte's Transforming While Transacting podcast series. I'm your host and Deloitte LLP principal, Raed Masoud. I've spent almost 25 years helping companies execute M&A transactions and navigate major transformations. With M&A deal volumes at record levels, leaders must partner their M&A and transformation efforts to realize the full potential of current deals. In today's dynamic marketplace, leaders no longer have the luxury of waiting until a transaction is closed to identify those areas of transformation and alignment. Instead, you must prepare your company, your business units, your markets, and your teams as the deal is taking place to maximize the value the transaction delivers on day one. We call this *transforming while transacting*. In this series, I'll be joined by experts from both Deloitte and industry to discuss why transforming while transacting is critical in the modern landscape and go into detail about how to do it effectively.

Welcome back to our transforming while transacting M&A deals podcast series. I'm your host, Raed Masoud. Today's topic, transformation enablers of success. And my guest today brings a wealth of transformation experience to help us understand these enablers of success. Today, I am joined by Dounia Senawi, a principal in our Deloitte consulting practice. Not just a colleague but a friend as well, Dounia, welcome to the show. How are you?

Dounia Senawi: Doing wonderful, Raed. Thanks so much for having me.

Raed Masoud: It's absolutely a pleasure having you here with us, and we'll dive right in. What do you see as some of the key success enablers for a company to transform their business while transacting an M&A deal?

Dounia Senawi: Well, transformations and transactions alone are complex undertakings, and doing both at the same time can be daunting for clients. However, if done right, planning and executing a transformation while transacting can be a force multiplier and really make both efforts more effective. So, the success factors for me that rise to the top are early identification and planning, alignment with existing capabilities, and properly incentivizing the organization throughout the transformation.

Raed Masoud: That's a good list. Let's touch on timing first. How early should a company start thinking about it?

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Dounia Senawi: Well, by their nature, they really require a highly orchestrated approach between all parties to tackle the additional scope. It's probably not surprising to hear that an ideal time to start these transformations is pre-deal close. So, starting the transformation work prior to day one really allows for quick wins that'll build confidence with all the stakeholders and increase the likelihood of ultimate success. We recently worked on a divestiture for a large technology company, and as a part of that divestiture the entire software business needed to be transformed. So, we worked on the business case for the divestiture and the case to transform while transacting, and the typical buying cycle for a transformation is months long, as you know, from the time a deal is announced to when it closes. So, the key is really to be ready to hit the ground running when you know who the buyer is.

So, in the case of this software company, we were able to help them transform their entire lead to cash business using Salesforce CRM at the core, Aptis for product hierarchy, CPQ and other cloud solutions to support billing, back office, customer service. This really allowed them to reduce their applications from 20-plus systems to one single cloud platform. And then they were able to reduce their IT [inaudible 00:03:21] the business costs by 30%, their time to market for new products were reduced from six weeks to less than two, reduced their average quote time by 25%. So, there's significant value delivered in these types of transformations when you're able to do them both at the same time.

Raed Masoud: What a fantastic example of value. I mean, you had me when you said quick wins, and maybe that's another place to start. Just as you kind of mentioned this really end-to-end value of thinking about it this way, but quick wins. What do you typically look for?

Dounia Senawi: Well, it depends on the organization's goals, but typically we see leaders prioritizing revenue and customer-facing capabilities to demonstrate tangible ROI early on. That way you can relieve the pressure on both the program and deal execution by generating tangible wins that everyone can understand the value of from the beginning.

On the flip side, we recently integrated two companies that were both owned by a private equity firm, and their biggest pain point was they weren't compliant with 606 revenue recognition standards. So, we sequenced the project to do core NetSuite finance work and a quick release to address the reporting requirements, and then a follow-on release to bring sales and other pieces of the organization together.

Raed Masoud: You know, what's great is you've definitely connected it end to end. And it seems as you talk about the transformation end to end, you're really bringing up capabilities. And you mentioned aligning with those capabilities. Can you talk a little bit more about that?

Dounia Senawi: Yeah, that's right. So, a common pitfall that we see is when people assume that their best internal program managers are automatically the best fit to guide a transformation. And it's really a different skillset, especially when aligning a transformation with a large transaction. And so, these types of efforts can provide substantial value for organizations, but also require careful planning and place a high premium on clear and consistent communication across the organizations involved.

Raed Masoud: You also touched on incentives. How do you think leaders should be thinking about incentives as they start to plan?

Dounia Senawi: That's correct. So, it takes sponsorship, stakeholder alignment, governance, incentives, especially true in these types of programs. Transformations can mean a number of things. So, it's really critical that transformation leaders are incentivized in a manner that keeps them aligned and reassured that, after they complete the transaction, they aren't impacted by things such as headcount reductions. A way clients do this is using the business case to align the leaders in the divesting organization and the new organization.

So, giving goals and targets that are aligned to the business case to incentivize the right behaviors. And the example I gave a little bit earlier on the software company, a big part of the savings was rationalizing bespoke applications and consolidations. So, goals and incentives were aligned to that objective to ensure that the entire team was heading in the same direction. And business and technology working arm and arm together are especially important in these types of transactions.

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Raed Masoud: These examples really bring the definition of enabling success or why somebody would do something like this, as complex as this sometimes, it really brings it to life. Any other examples that come to mind that you feel are really representative of the kind of value that can be delivered?

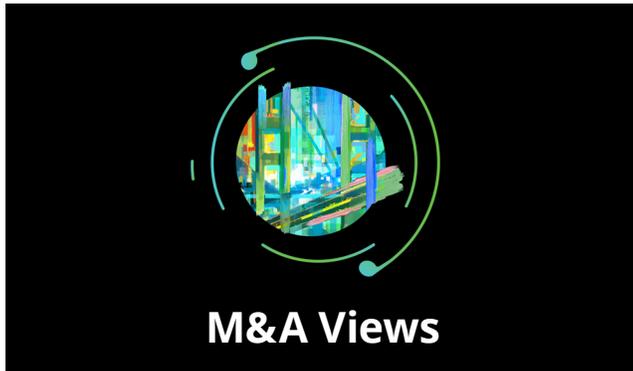
Dounia Senawi: I guess one more to share recently. After separating from its parent company, we helped a new entity stand up their entire sales, finance, and HR functions. And the company also transformed critical sales processes that could delay deals and frustrate sales reps and customers and constrain their revenue growth. So, we actually deployed Deloitte's proprietary digital mix technology stack and transitioned the company to a modern cloud-based infrastructure for all their lead-to-cash processes. And so they were actually able to exit TSAs two months ahead of schedule, poised to accelerate sales, reduced cost, grow market share, and are now their own standalone business. So, lots of value can be delivered when planning effectively from the beginning.

Raed Masoud: And definitely lining up to the enablers of success you mentioned. You talked about thinking about it early, align it with existing capabilities, incent the organization the right way, identify the right leaders, think about it end to end, and definitely make sure that you build momentum as you go through and look to capture the value from these transformations. Dounia, it's been a pleasure having you on. We look forward to doing it again, and I look forward to seeing you in person soon.

Dounia Senawi: Thanks so much, Raed. Take care.

Raed Masoud: You as well.

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